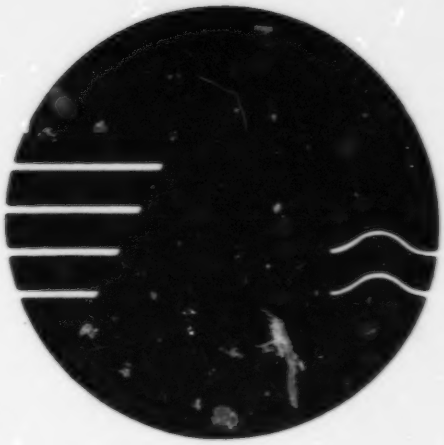

Souris Basin Development Authority

SOURIS BASIN
DEVELOPMENT AUTHORITY

1986
ANNUAL
REPORT

87-05716/

ANNUAL REPORT

OF

THE SOURIS BASIN DEVELOPMENT AUTHORITY

OF THE

PROVINCE OF SASKATCHEWAN

FOR THE

10 MONTHS ENDING DECEMBER 31, 1986

Souris Basin Development Authority

May, 1987

To His Honour
The Honourable Frederick W. Johnson
Lieutenant Governor of the
Province of Saskatchewan

Dear Sir:

I have the honour to submit herewith the Annual Report of the Souris Basin Development Authority for the 10 months ending December 31, 1986 including the financial statements therefore, duly certified by the Corporation's auditors and in the form approved by the Treasury Board, all in accordance with the Crown Corporations Act, 1978.

I have the honour to be, Sir, your obedient servant,

Hon. Eric Berntson
Minister Responsible
Chairman of the Board
Souris Basin Development Authority

814 - 4th Street
Estevan, Saskatchewan
S4A 0V9
Phone: 634-4791

SOURIS BASIN DEVELOPMENT AUTHORITY

THE BOARD OF DIRECTORS

AND

SENIOR MANAGEMENT

BOARD OF DIRECTORS

GOVERNMENT AFFILIATED DIRECTORS

Hon. Eric Berntson, Regina
Chairman, Minister in Charge

G.D. Hill Q.C., Estevan
Vice Chairman, President &
Chief Executive Officer

D. Stankov, Regina
Chairman, Sask Power

E.B. Campbell, Regina
President, Sask Power

V. C. Fowke, Regina
President, Sask. Water Corp.

NON GOVERNMENT DIRECTORS

R.W. Henders, Estevan

G. Ross, Estevan

R. Young, Alameda

SECRETARY OF THE BOARD

K.D. Wellman Q.C., Regina
General Counsel and Secretary
Sask Power

SENIOR MANAGEMENT

G.D. Hill Q.C. -
Chief Executive Officer

G.N. Hood - Director
Planning & Operations

T.J. Mather -
Controller

SOURIS BASIN DEVELOPMENT AUTHORITY

PRESIDENT'S REPORT

Since its inception in March of 1986 the role of the Authority has been primarily one of co-ordination of the various activities of the various Crown Corporations and Government Departments involved in the planning phase of the project. The Authority has entered into separate agency agreements with the Saskatchewan Water Corporation and the Saskatchewan Power Corporation whereby the responsibilities of each party are described. Saskatchewan Energy and Mines developed the standards to be used in the mitigation of oil facilities in both reservoirs. Saskatchewan Parks and Renewable Resources has provided input, in their area of expertise, particularly with respect to fisheries and wildlife matters.

Administratively, in addition to myself in my capacity as Chief Executive Officer, the Authority hired two direct employees; a Director of Planning and Operations and a Private Secretary. Our Controller, responsible for all financial matters, was seconded for the duration of the project from Saskatchewan Power Corporation. Three staff consultants have been engaged to provide on-going support in the areas of: 1) Parks, Recreation, and Land Use, 2) Public Affairs and Involvement and 3) Oilfield Mitigation.

Significant progress has been made with respect to design engineering. The Authority engaged the services of Cochrane Lavalin Inc. of Regina as its Engineering Consultant on the project. This contract calls for the consultant to provide all necessary engineering services for the design of the Rafferty and Alameda Dams.

During 1987 we look forward to receiving the necessary approvals to proceed with the project, with actual construction of the Rafferty Dam beginning in 1988, with the Alameda Dam following in 1989.

George D. Hill

George D. Hill, Q.C.
President and Chief Executive Officer

SOURIS BASIN DEVELOPMENT AUTHORITY

ANNUAL REPORT 1986

BACKGROUND:

On February 12, 1986, Premier Devine announced that, subject to committment by the United States to contribute $41.1 million U.S. to the project and compliance with all environmental and regulatory requirements, the Saskatchewan Government intended to build the Rafferty and Alameda Dams on the Souris River system. The project comprises construction of the Rafferty Dam on the mainstem of the Souris River 6 km northwest of Estevan; a channel connecting Boundary Reservoir with Rafferty Reservoir; downstream channelization from the Rafferty damsite to the Shand Generating Station and the Alameda Dam on the Moose Mountain Creek approximately 14 km north of Oxbow. The presently estimated cost of the project is $120 million in October, 1985 Canadian dollars.

The project is multi-purpose in nature with several Government Departments, Agencies, and Crown Corporations having varying degrees of involvement. To co-ordinate all aspects of the planning and construction of the two dams and ensure that these multi-purposes and interests are addressed a Crown Corporation called the Souris Basin Development Authority was created.

GENERAL DESCRIPTION:

A. Rafferty Dam & Reservoir

The reservoir created by the Rafferty Dam will serve a number of purposes. First, it will allow greatly enhanced recreation opportunities for southeastern Saskatchewan through the development of park facilities, cottages and additional water-based recreation. Second, the reservoir will provide cooling water for the Shand Thermal Electric Generating Station. Third, the Rafferty Reservoir will provide, for certain fish and waterfowl species, enhanced wildlife development potential. Fourth, the Rafferty Reservoir will provide water for irrigation. Fifth, there will be considerable flood protection for the downstream communities of Estevan, Roche Percee and Oxbow as well as providing flood protection for North Dakota and, in particular, the City of Minot.

B. Alameda Dam & Reservoir

The Alameda Reservoir will, as with its counterpart at Rafferty, serve a number of purposes. The Alameda Reservoir will provide recreation benefits and in particular will

alleviate pressure that has been experienced in recent years at Moose Mountain Provincial Park from heavy visitation. A public park will be developed at Alameda and cottage lots will be developed. As well, the Alameda Reservoir will serve to satisfy the majority of the Saskatchewan apportionment obligations to the United States. The Alameda Reservoir will also be used as a supply of irrigation water.

ACTIVITIES:

The principle activities of the Authority during 1986 focused on the negotiations with various interests in the United States, the preparation of the Environmental Impact Statement, and co-ordination of the various development activities associated with the project.

Throughout 1986 several meetings between the Saskatchewan and United States negotiating teams were held. The main issue of discussion at these meetings was the question of the sharing of the evaporation from the Rafferty and Alameda Reservoirs by the United States as part of their apportionment of water. Apportionment is the amount of water Saskatchewan must pass, under treaty, to the United States. The terms of this apportionment are defined by the Boundary Waters Treaty of 1909 between Canada and the United States. The largest single allocation for water on the Souris River in Saskatchewan is required for apportionment with the United States. From the Saskatchewan perspective, it was critical that the American interests assume a significant portion of the evaporation as part of their share of the water.

On August 27th, a tentative agreement was reached whereby the United States was to share the evaporation losses. The effect of this tentative agreement will be to temporarily modify the existing 50-50 division of water between the two countries approximately 50% of the time. The new arrangement, which will be triggered by fluctuations in Lake Darling, will give Saskatchewan 60% of the water and North Dakota 40%. Such lesser amount is a credit to Saskatchewan in recognition of the evaporation which will result from the Rafferty and Alameda Reservoirs. For all purposes, this arrangement is intended to be in compliance with our treaty obligations and orders of the International Joint Commission.

At year end the negotiations between the two sides were continuing, and were dealing with issues such as an operating plan for the basin, financial concerns, construction agreement, and an operating and maintenance agreement.

When it became obvious that the evaporation negotiations would continue into September and that their outcome would

significantly affect the manner in which the Souris River would be operated, it became equally clear that the Environmental Impact Statement must accurately reflect the operating regime of the River. It became obvious that amendments would have to be made to the Statement as initially drafted in order to accurately reflect the amount of water available to Saskatchewan to fill the Reservoirs. At year end the Rafferty-Alameda Environmental Impact Statement was being revised to include the most recent information available.

AUDITORS' REPORT

To the Members of the Legislative Assembly
of Saskatchewan

We have examined the statement of financial position of Souris Basin Development Authority as at December 31, 1986 and the statement of operations and retained earnings for the ten month period ending December 31, 1986. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Authority as at December 31, 1986 and the results of its operations and the changes in its financial position for the ten month period then ended in accordance with generally accepted accounting principles.

Matchett, Potts & Seipp

Matchett, Potts & Seipp
Estevan, Saskatchewan
May 14, 1987.

W.G. Lutz

W.G. Lutz, F.C.A.,
Provincial Auditor.
Regina, Saskatchewan.
May 14, 1987.

SOURIS BASIN DEVELOPMENT AUTHORITY

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 1986

ASSETS

CASH	$112,991
SHORT TERM INVESTMENTS	497,837
EXPENSE ADVANCES	7,500
COSTS IN EXCESS OF ADVANCES (note 3)	75,340
	693,668

LIABILITIES & EQUITY

LIABILITIES

ACCOUNTS PAYABLE	593,668
NOTES PAYABLE (note 4)	100,000
	693,668

EQUITY

RETAINED EARNINGS	--
	$693,668

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
10 MONTHS ENDING DECEMBER 31, 1986

CONTRACT REVENUE EARNED	$1,575,340
COST OF CONTRACT REVENUE EARNED	
COST OF CONTRACTS	1,252,210
GENERAL & ADMINISTRATION	317,510
INTEREST EXPENSE	5,620
	1,575,340
NET EARNINGS	--
RETAINED EARNINGS, BEGINNING OF YEAR	--
RETAINED EARNINGS, END OF YEAR	$ --

(SEE ACCOMPANYING NOTES)

SOURIS BASIN DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

December 31, 1986

1. Status of the Corporation

The Souris Basin Development Authority was established by Order in Council 270/86 and continues under the provisions of part one of The Crown Corporations Act, 1978. The mandate of the Authority is to coordinate and manage the design and construction of the Rafferty and Alameda Dam projects as the agent for Saskatchewan Water Corporation. These projects are multi-purpose in nature involving several Government Departments, Agencies and Crown Corporations.

2. Significant Accounting Policies

The Souris Basin Development Authority's accounting policies are in accordance with generally accepted accounting principles. The following summary of accounting policies describes the accounting methods and practices considered to be significant to the Authority's Financial Statements:

(i) Revenue and Cost Recognition

Contract Revenue earned - revenues from contracts are recognized on the basis of costs incurred during the period.

Cost of Contract revenue earned - includes contract costs which are comprised of:
- all direct costs determined using the percentage-of-completion method and
- those indirect costs related to contract performance such as general and administration and interest expense.

(ii) Short Term Investments

Short term investments are valued at cost which approximates market value.

3. **Costs in Excess of Advances**

Pursuant to the agency agreement between the Authority and the Saskatchewan Water Corporation, the Corporation will fund the Authority for all construction costs and general and administration costs incurred as they relate to the agreement.

Total Costs incurred	$1,575,340
Less: Advances to Date from Sask Water	1,500,000
Costs in excess of advances	$ 75,340

4. **Notes Payable**

These notes are repayable upon demand and interest is payable at prime rate.

5. **Total Remuneration of Directors and Senior Management**

The directors received in total $1600 from the Authority in 1986. The three senior managers received total remuneration of $122,050 in 1986.

6. **Related Party Transactions**

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled Departments, Agencies, and Corporations with which the Authority is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms except as described below.

The Authority has entered into an agency agreement with the Saskatchewan Water Corporation whereby the Authority undertakes to plan, organize, design and construct the Rafferty and Alameda Dam Projects; in turn the Corporation is to provide consulting services out of its own resources without further consideration within the limits of its own staff, expertise, and facilities currently in place. To the extent the Corporation incurs costs for contract personnel or facilities to provide these services, they shall be reimbursed for the cost by the Authority.

7. Commitments

The final decision to construct the projects is conditional on receiving environmental and other approvals.

As at December 31, 1986 the Authority had outstanding commitment of $200,408 for obligations and cancellations clauses in contracts should the projects not proceed.

8. Leases

The Authority has entered into operating lease agreements with the following minimum lease payments:

1987	$60,673
1988	58,874
1989	56,471
1990	51,211
1991	12,505